

MARKET REPORT

Multifamily
Montreal Metro Area

IPA INSTITUTIONAL
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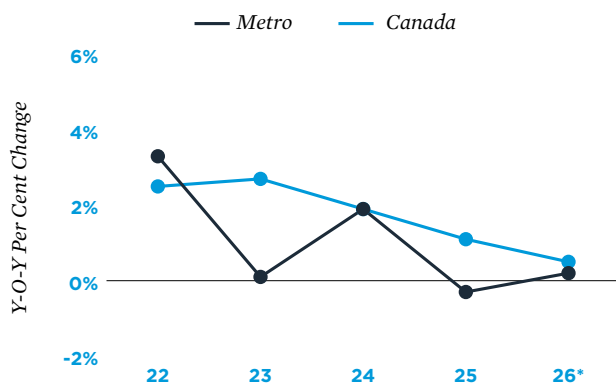
1Q/26

Fundamentals Remain Sound as Demand-Supply Rebalancing Enters Third Year

Market conditions to continue loosening in 2026. Montreal's rental demand softened last year as population growth slowed. The impact was more pronounced in neighbourhoods on the Island of Montreal, including Downtown and Notre-Dame-de-Grâce, which had attracted a large share of newcomers during the recent immigration surge. At the same time, completions approached a historic high, contributing to a noticeable rise in the vacancy rate to 2.9 per cent. Overall vacancy remained low, but conditions were looser in newer properties, with buildings delivered after July 2022 recording a significantly higher vacancy rate of 8.4 per cent. Looking ahead to 2026, resident gains will slow further amid tighter immigration policies, while uncertain trade policy continues to cloud a still-soft economic backdrop. As such, owners — particularly of newer buildings — are likely to face longer lease-up periods in an increasingly competitive environment.

Lower guideline to help cool rent growth. Even with greater availability, the average effective rent rose by more than 10 per cent last year, largely driven by a sizable increase in in-place rents. Looking ahead, rent growth is likely to moderate. Quebec's rental board, the Tribunal administratif du logement (TAL), has approved a 3.1 per cent base rent adjustment for this year, down from 5.9 per cent last year. Combined with a rising vacancy rate and more choice for renters, this lower guideline increase should help cool rent growth toward a more sustainable pace while easing some pressure on affordability.

Employment Trends



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

Multifamily 2026 Outlook



**5,000
JOBS**

will be created

EMPLOYMENT

Muted job gains are expected to persist, as the current unfavourable trade policy environment continues to weigh on hiring activity. That said, slower population growth will cap labour force expansion, helping to stabilize the unemployment rate.



**15,500
UNITS**

will be completed

CONSTRUCTION

Completions are projected to remain elevated, reflecting the increase in construction starts over the past two years. Most projects consist of small- to mid-rise properties, with a high concentration in Laval and the Downtown area.



**60
BASIS POINT**

increase in vacancy

VACANCY

The vacancy rate is expected to rise to around 3.5 per cent this year, reaching its highest level since 2016. Despite this market rebalancing, older, lower-rent buildings are likely to remain tight, as turnover remains limited amid growing affordability challenges.



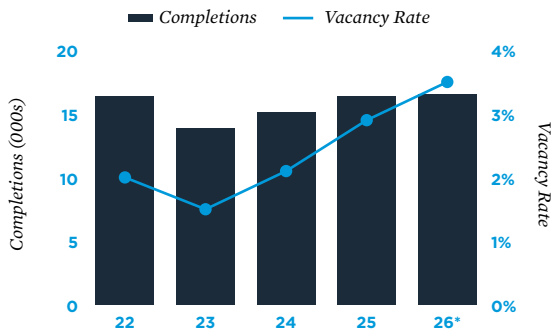
**3.7%
INCREASE**

in effective rent

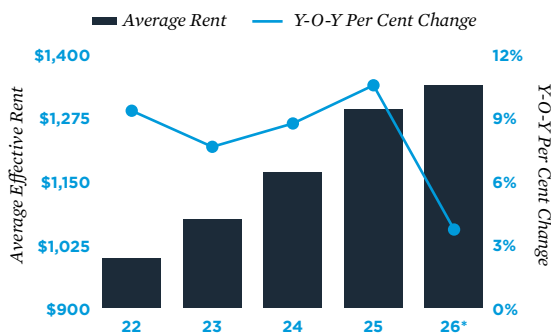
RENT

As vacancy rates move in favour of renters, last year's double-digit rent growth is unlikely to carry into 2026. Newer buildings, facing longer lease-up periods, are expected to continue offering incentives, while lower-cost units could still see above-average rent growth as demand is more resilient.

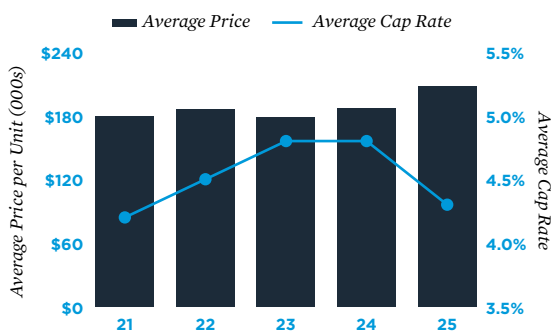
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

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2025 Overview



CONSTRUCTION

16,399 units completed

- Amid weakness in the homeownership market, purpose-built rentals led residential construction. These projects accounted for 76 per cent of all housing completions, up from 66 per cent the previous year.
- As construction starts hit an all-time high in 2025, supply pressures are likely to persist through at least 2027.



VACANCY

80 basis point increase in vacancy Y-O-Y

- Although still low at 2.9 per cent, vacancy approached its highest level since the pandemic, reflecting a rental market moving toward a new equilibrium.
- Downtown and Vimont-Auteuil saw the largest increases in vacancy. In Downtown, conditions loosened notably for two-bedroom units, with the vacancy rate jumping 370 basis points to 8.3 per cent.



RENT

10.5% increase in the average effective rent Y-O-Y

- Despite a rising vacancy rate, rent growth accelerated for the second consecutive year. The rent increase was most pronounced in older properties, with buildings completed between 1960 and 1989 recording a 12.2 per cent rise.
- Despite being one of Canada's lower-rent markets, Montreal's average effective rent has risen by more than 40 per cent over the past four years.

Investment Highlights

- After a brief pullback in the second quarter, multifamily investment momentum returned in the second half of 2025, pushing annual dollar volume to a record high of over \$4.4 billion. Driven by a 55 per cent increase in the number of deals, large transactions above \$20 million led the gains, rising 82 per cent in dollar volume terms and marking their strongest year on record.
- Investors continued to favour suburban assets. These properties are typically older buildings with lower average rents, which experienced exceptionally tight conditions despite the overall rise in vacancy rates. With low turnover and strong rent growth over the past four years, these suburban units have remained highly sought after, sustaining steady investor demand and contributing to the multifamily market's resilience.
- Strong sales drove an 11 per cent rise in the average sale price, pushing it to a historic high above \$200,000 per unit. The average cap rate fell 50 basis points, hitting its lowest level since 2021. This trend reflects continued confidence in the long-term strength of Montreal's multifamily sector.